

# Basic Banking

Presented by Bank on Gaithersburg,  
Family Services, Inc., and MD CASH  
Academy

# Financial Institutions

- What are they- banks, credit unions
- What do they offer:
  - Checking accounts
  - Savings accounts
  - Investment opportunities
  - Loans
  - Credit cards
  - Online banking
  - Bill pay
  - Money orders

# Financial Institutions

- What has been YOUR experience?

# Reasons People Do Not Use Financial Institutions

- Fear of losing their money
- Been denied
- Unaware of services offered
- Fear of what happens if bank closes
- Fees
- Inconvenient

**Reported Information**

Reported Information refers to reports of accounts that have been mishandled, reported for cause, and/or outstanding debts. Reported Information is submitted directly to ChexSystems by members of our service which consists mainly of financial institutions. Our current practice is to retain this information for a period of five years.

SSN/ID indicates a Social Security number, Individual Taxpayer Identification number, Tax ID number, or Employer ID number.

Source of Information: FIRST NATIONAL BANK  
678 NORTH ST  
ANYTOWN, MN 12345  
800.888.1234

Reported Name: JOHN CONSUMER  
Reported Address: 123 MAIN ST  
MY TOWN, MN 55125

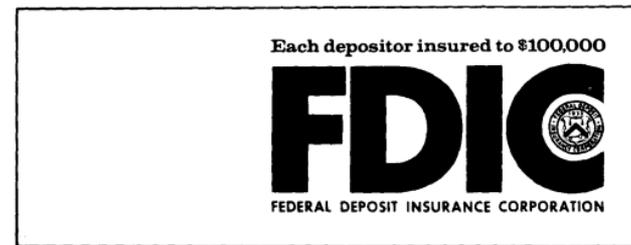
Reported SSN/ID: XXX-XX-6789  
Drivers License: XXXXXXXX9123 State: MN  
RTN: 123456789 Account: XXXXXX5209  
Date Reported: 05/25/2009  
Reported For: NON-SUFFICIENT FUNDS (NSF) ACTIVITY  
Closure Status: NOT REPORTED  
Debt Reported: ChexSystems has no debt information available.  
May we suggest that you contact the source of the information  
to determine whether or not a debt is owed.

Source of Information: SECOND NATIONAL BANK  
111 SOUTH ST  
ANYTOWN, MN 12345  
800.999.1234

Reported Name: JOHN C CONSUMER  
Reported Address: 123 MAIN ST  
MY TOWN, MN 55125

# Why Keep Money In a Financial Institution?

- Safety
- Convenience
- Cost
- Security
- Interest/Building \$



Manages National Credit  
Unit Shared Insurance Fund

# How to Choose a Financial Institution

- Convenience - locations, hours, ATMs
- Services offered/needed
- Fees
- How much \$ do I need to open the account?
- How many checks/transactions can I have?
- Does account pay interest

# Fees

- Minimum balances to open account- fees if go below
- Cost for checks
- ATM fees
- Monthly maintenance fees
- Excessive savings & withdrawal fees
- Overdraft fees



# Ideas to Keep Banking Costs Down

- Combine checking and saving balances to avoid monthly fees.
- Save on ATM fees by using your own bank's machines.
- If you can't avoid an ATM fee, take out larger sums less frequently.



# Ideas to Keep Banking Costs Down

- Use direct deposit for your paycheck or government benefits check. Federal Government Benefits will all be electronic in 2013.
- Buy checks from a mail-order company instead of your bank.
- Ask the bank to reverse the occasional late fee or bounced check fee.

# What Services Can You Use?

- Checking account - direct deposit; checks; Debit card
- Savings Account - link to checking account, overdraft protection
- Certificate of Deposit (CD) - to grow money
- Online Banking/Bill Pay - to check balance; transfer money between accounts, pay bills online

# Additional Services

- Money Transfer
- Money Order
- Credit Card
- Secured Credit Card
- Loans - Mortgage, Auto, Personal
- Overdraft Lines

# Checking Accounts 101

## Types of Checking Accounts:

- Free/low-cost checking
- Electronic/ATM checking
- Interest checking



# Items Needed to Open a Checking Account

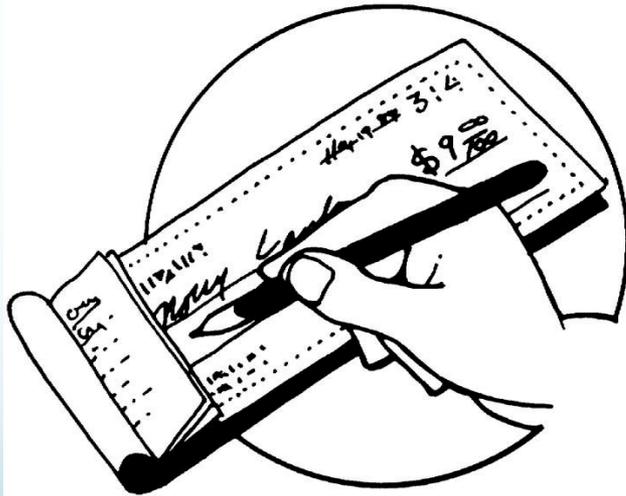
- Government Issued Photo ID
- Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN)
- Money or check to deposit
- Proof of address may be required

# Uses & Benefits of Checking Accounts

- Uses:
  - Direct Deposit
  - Pay bills
  - Make purchases
- Benefits:
  - Convenience
  - Save \$
  - Save time
  - Better money management
  - Safety

# Two Ways to Use Money in Your Checking Account

Write a check



Use electronic banking



**JOHN CONSUMER**  
**MARY CONSUMER**  
 123 Any Street  
 Anytown, FL 12345

11-5388/1310 5690

① Date \_\_\_\_\_

**P**ay to the ② \_\_\_\_\_ ③  
 order of \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ ④ \_\_\_\_\_ **D**ollars  
 YOUR NATIONAL BANK  
**F**or \_\_\_\_\_ ⑤ \_\_\_\_\_ ⑥  
 -: 9999992884-: 0326766894: 5690

**Directions:** This check belongs to John and Mary Consumer. Write a check to Mr. and Mrs. Consumer’s landlord, Peter Perkins, for \$995.00.

- ① **Date:** Write the month, day and year (example: “March 5, 2010”).
- ② **Pay to the order of:** Write “Peter Perkins”
- ③ **Amount (\$):** Write “\$995.00”
- ④ **Dollars:** Write “Nine hundred and ninety five and no cents”
- ⑤ **For:** Write “Rent”
- ⑥ **Signature:** Sign “Mary Consumer”

*Enter the check in Mr. and Mrs. Consumer’s checkbook register and figure the current balance.*

Check	Date	Transaction Description	Amount	Deposits	Balance
		Balance Forward			\$1232.45
#5688	2/28	Bountiful Grocery Store	\$105.68		\$1126.77
	2/28	John's Paycheck		\$1,232.10	\$2358.87
#5689	3/1	RX Pharmacy	\$20.00		\$2338.87

# Checks

- Do not sign a blank check
- Track all checks in register
- Money must be in account when check is written
- Do not put your Social Security # on check unless demanded
- Put account number on check for bill paid
- Mail in secure mailboxes

# Endorsements

- Must sign back of check to cash/deposit check
- If mailing check to bank or someone else is bringing check to bank, use a restriction “for deposit only”
- Multiple payees may require special endorsement

# Electronic Banking

Electronic banking uses computers to move money into and out of your account. It includes:

- Debit card transactions
- Electronic bill pay
- ATM transactions

# Electronic Bill Pay

A service that takes money out of your account to pay your bills.

- You don't have to pay for postage.
- You don't have to worry about late payments.
- Can set up automatic bill pay if you want

# Debit Card

A debit card lets you:

- Deposit cash into and withdraw it from your checking account.
- Make purchases at retail locations.

**BE CAREFUL!**

**THE MONEY IS IMMEDIATELY TAKEN OUT OF YOUR ACCOUNT! But, returns are not immediately put back into the account!**



# Debit Cards

- You can use your debit card in two ways:
  - At an ATM or a point-of-sale (POS) terminal with your personal identification number or PIN. Some banks or retailers may charge a fee to this transaction.
  - At stores and restaurants that accept credit cards without providing your PIN. You will be asked to sign a receipt.
  - **NEED TO RECORD THESE TRANSACTIONS!**

# Debit vs. Credit Card

## Debit Card

- Your money
- More access to your personal funds if stolen
- Easier to budget
- Online shopping risk

## Credit Card

- Loan
- More protection if stolen
- Easy to run up debt
- Online shopping minimal risk

# ATM Card

- Can only be used at ATMS
- Not for use at retail locations
- Have to be careful to record transactions

# Checking 101 Summary

- Choose financial institution carefully
- Check your services/fees often - be willing to change financial institution if needed
- Avoid fees
- Designate a beneficiary
- KEEP TRACK OF YOUR BALANCE
- KEEP TRACK OF CHECKS, ATM/DEBIT CARDS

# Savings Accounts 101

How is a savings account different from a checking account?

- Generally no checks
- Federal limit on # of withdrawals
- Usually an ATM card
- Pays interest
- Can link accounts



# What Is Interest?

- Interest is the cost of lending money.
  - When a bank gives you a loan, you pay interest to them. When you keep your savings in a bank, they pay interest to you.
- In a savings account, your money works for you by earning interest.



# Types of Interest

- There are two types of interest:
  - Simple interest means that you only earn interest on your initial deposit.
  - Compound interest allows you to earn interest not only on your initial deposit, but also on the interest you earn as you go along.



# How to Figure Interest

- The annual percentage yield (APY) is the amount of money you would earn if you left your money on deposit for one year.
- For example, if you left \$100 on deposit for one year at a rate of 2%, you would earn \$2 in interest at the end of the year.



# Certificates of Deposit (CDs)

- A certificate of deposit, or CD, is a kind of savings account in which you leave your money on deposit for a set period of time in order to earn interest.
- The longer the term of your CD, generally the higher your interest rate will be.
- If you withdraw your money before the term ends, you will lose interest and might have to pay a penalty.



# Safe Deposit Boxes

- What is a safe deposit box?
- What are some things that you might keep in a safe deposit box?



# Safe Deposit Boxes

- Copies of insurance policies.
- Birth, marriage and death certificates.
- Mortgages, leases and other important contracts.
- Stock and bond certificates and certificates of deposit (CDs).
- Valuable jewelry.

# Basic Banking Summary

- Consider using a financial institution
- Get to know your bank/credit union employees
- Choose accounts that you need
- Avoid fees
- Keep track of your money
- Review accounts often

Questions?